



Chapter 5

Rates and Other Guidelines for Developing Expenditure Estimates

There is legislation still pending in the 2001 Legislative Session that could change these guidelines.

5.1 Impact of Initiative 601



State expenditure limit is calculated annually

Initiative 601, passed in 1993, requires that each November the State Expenditure Limit Committee calculate an annual General Fund-State (GF-S) expenditure limit. The calculation is based upon a growth factor that is a combination of population and inflation changes. In November 2000, the growth factor was calculated at 2.79 percent for Fiscal Year 2002 and 2.98 percent for Fiscal Year 2003. The calculation for the following fiscal year will be updated each November, so the expenditure limit for Fiscal Year 2003 is subject to change in November 2001.

Limit caps GF-S spending at statewide level

- The annual expenditure limit caps GF-S spending at the statewide level. Compliance is achieved because individual agency expenditures are restricted by fiscal year appropriations. The State Treasurer's Office also has the statutory responsibility to stop any warrant that would cause statewide spending to exceed the limit.

Fee increases are limited to fiscal growth factor

- The growth factors used to calculate the statewide expenditure limit also affect fees. Agencies cannot raise fees by more than the fiscal growth factor without the approval of the Legislature.

5.2 Omission of Encumbrances from Official Allotments

Encumbrances are omitted from OFM allotments

The official OFM allotments omit encumbrances (obligations that will be paid at some point in the fiscal period) for both operating and capital allotments in order to allow a valid comparison to expenditure reports which only reflect disbursements and accruals. Agencies are still permitted to make use of encumbrances in accounting transactions.

5.3 Employee Salary and Benefit Expenses

Include salary and benefit expenses in the B001 packet

Agencies are to submit initial allotments based on existing July 1, 2000 compensation schedules, plus increases passed by the Legislature and signed by the Governor. Allocation of any salary increase, health insurance, and pension operating budget appropriations will be included in the Appropriation Schedule and are to be submitted as part of the B001 packet.

5.3.1 Salaries and Wages

What to include in salary estimates Where applicable, salary estimates must provide for overtime, shift differential, callback, irregular hours compensation, terminal leave, and sick or annual leave buy-out. Provisions of the Fair Labor Standards Act (FLSA) are to be accommodated within available funds.

5.3.2 OASI Payments

Rates for OASI payments Agencies should program OASI payments at the following rates:

- **Calendar Year 2001:** 6.2 percent of the first \$80,400 for Social Security purposes, and an additional 1.45 percent of all salaries for Medicare (a total of 7.65 percent).
- **Calendar Year 2002:** 6.2 percent of the first \$84,900 for Social Security purposes, and an additional 1.45 percent of all salaries for Medicare (a total of 7.65 percent).
- **Calendar Year 2003:** 6.2 percent of the first \$89,110 for Social Security purposes, plus an additional 1.45 percent of all salaries for Medicare (a total of 7.65 percent).

5.3.3 Medical Aid

Use current biennium rates for medical aid estimates Allotment estimates for the state's share of medical aid and industrial insurance payments should be based on current biennium rates, which differ for various job types. Agencies needing information on current occupational rate schedules should contact the Department of Labor and Industries.

5.3.4 Employee Health Insurance Program

State contribution to employee insurance program For Fiscal Year 2002, the employee insurance program are expected to be \$455.79 per month and for Fiscal Year 2003 the rate will be \$494.28 per month. These rates are preliminary and could change in the final 2001-03 legislative budget. If the rates are changed, OFM will notify agencies after the budget is passed.

5.3.5 Employer Contributions to Retirement Systems

**Use the rate
below to
determine the
retirement
contribution
allotment**

The total allotment for retirement system contributions must equal the specific employer contribution rate displayed below. Most percentages include a contribution rate of 0.23 percent (0.0023) of total reportable salaries for the Department of Retirement Systems' (DRS) administrative costs for July 2001 through June 2002. Agencies should not allot DRS administrative expenses for the Judges Retirement System, Judicial Retirement System, or Washington State Patrol.

Agencies will be notified of any changes to this rate by the Department of Retirement Systems.

Retirement System Employer Contribution Rates
(Includes 0.23% DRS administrative rate)

July 2001 — June 2003

Public Employees' Retirement System
Selected Elected Officials (Plan 1 Only)
Washington State Patrol Retirement System

July 2001 and August 2001

Teachers' Retirement System

September 2001 — June 2003

Teachers' Retirement System

These rates will not be known until the 2001-03 budget is passed. OFM will send rate information to agencies when it is available, and will update the allotment instructions on the OFM website as well.

Salary and benefit information can be obtained through the Budget Preparation System 1. For additional information and training on BPS 1, contact Art Overman, OFM Accounting Division, (360) 664-7703.

5.4 Other Employee-Related Expenses Allotted in Operating Budget

5.4.1 Department of Personnel Service Account Charge

**Calculating DOP
service account
charge**

The Department of Personnel (DOP) Service Account (Account 415) billing rate will be no more than 0.60 percent (.0060) of covered salaries and wages for the 2001-03 Biennium. Agencies should plan to pay the annual amount during the second quarter of each fiscal year. Billing adjustments will be made at the close of each fiscal year as required. Applicable amounts should be included in Object E, Goods and Services.

5.4.2 Higher Education Personnel Service Fund Charge

**Calculating the HE
personnel service
fund charge**

The initial billing rate for the Higher Education Personnel Service Fund will be no more than 0.30 percent (.0030) of covered salaries and wages for the 2001-03 Biennium. Institutions of higher education should program the applicable amount in July of each fiscal year in Object E, Goods and Services. Adjustments will be made at the close of each year as required.

NOTE: Final personnel service billing rates will not be known until after the 2001-03 budget is enacted, and DOP collects information from agencies regarding their classified salary base. DOP will calculate its final rate, and will inform agencies in a separate memorandum.

5.4.3 Unemployment Compensation

**Reimbursing ESD
for unemployment
compensation**

Agencies are required to reimburse the Employment Security Department (ESD) for unemployment compensation paid to former agency employees. ESD will notify agencies quarterly of their actual unemployment compensation liability. OFM encourages reimbursement of current billings when possible, since agencies paying on a delayed basis will be charged interest at the treasury bill rate. Estimated unemployment compensation amounts are to be allotted in Object B, Employee Benefits.

NOTE: Since the budget and accounting systems are GAAP based, the expenditures for unemployment compensation are to be recorded in the fiscal period in which they are incurred, regardless of when paid.

5.5 Interagency Services

Revolving accounts representing various interagency services costs The following revolving accounts are used to reflect the cost of various interagency services:

- Legal Services Revolving Account (Attorney General)
- Data Processing Revolving Account (Department of Information Services)
- Archives and Records Management Account (Secretary of State)
- Auditing Services Revolving Account (State Auditor)
- Administrative Hearings Revolving Account (Office of Administrative Hearings)
- General Administrative Service Account (Department of General Administration)
- Office of Minority and Women's Business Enterprises Account (Office of Minority and Women's Business Enterprises (OMWBE))

Estimated billings from agency service funds were included in the Governor's recommended budgets for individual agencies and were revised to reflect actions of the Legislature. Each revolving fund agency will provide this information to agencies as soon as it is available (usually in mid-June). The revised estimate should be used as part of the initial allotment calculation for Object E, Goods and Services.

All billings except those for Risk Management Administration and OMWBE are billed by quarter (July, October, January, and April of each year). For a more detailed listing, refer to the Statewide Administrative and Accounting Manual 85.90.40.b, effective July 1, 2001. OMWBE and Risk Management Administration Revolving Account payments are to be estimated on an annual basis (each July). Cash disbursements are to be entered in the month the interagency service bill will be paid.